

The Economic Outlook Amidst Trade Uncertainty

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Vice President and Senior Regional Officer

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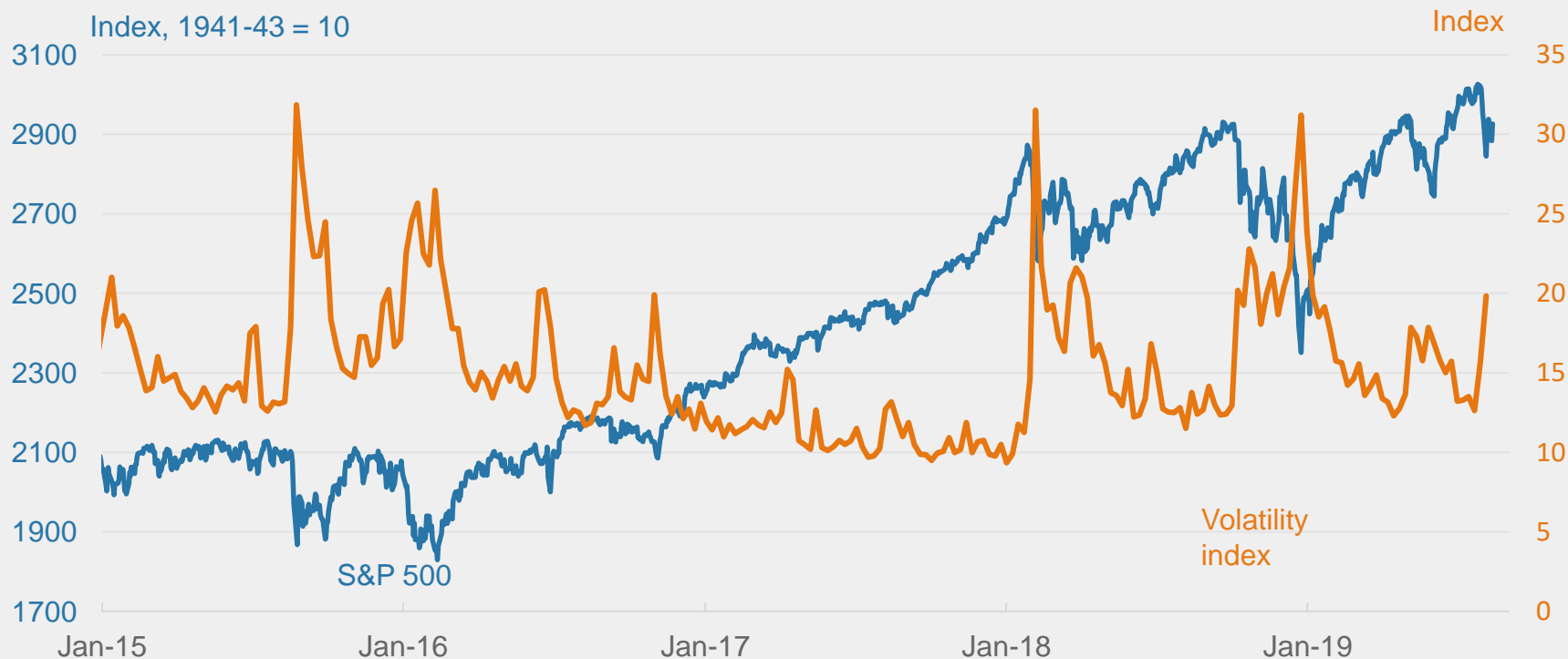
The views expressed here are my own and do not represent those of my colleagues at the Federal Reserve Bank of Cleveland or the Federal Reserve system.

Key takeaways:

1. Economic growth remains solid even as it slows toward trend
2. Labor markets remain healthy in much of the country
3. Inflation remains low and stable
4. The outlook is for continuation of recent trends
5. However, risks have arisen on the downside

Equity markets have declined in recent weeks, volatility is higher

S&P 500 and Volatility Index



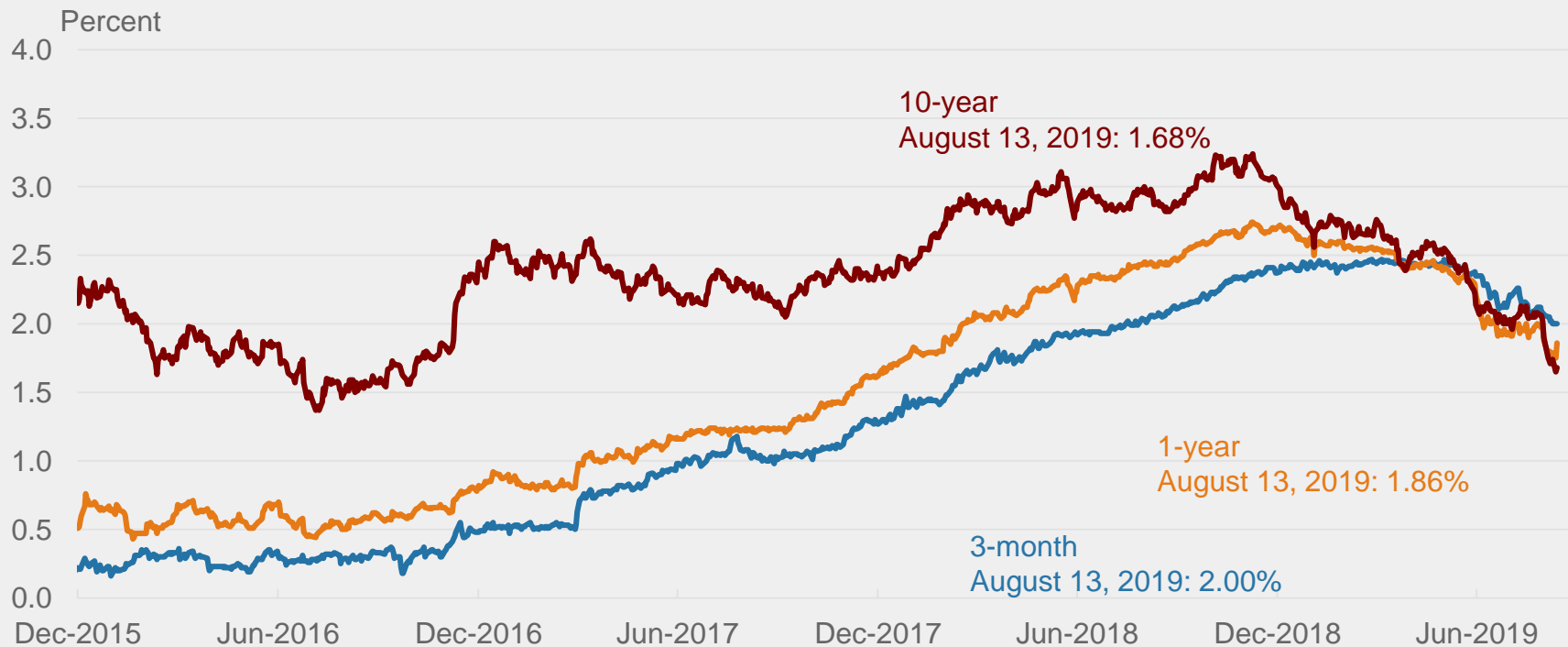
Sources: Wall Street Journal, Chicago Board Options Exchange, retrieved from Haver Analytics

Last observation: 8/13/2019 for S&P 500; 8/5/2019 for VIX

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Bond yields are mostly lower, yield curve remains very flat

Treasury Yields



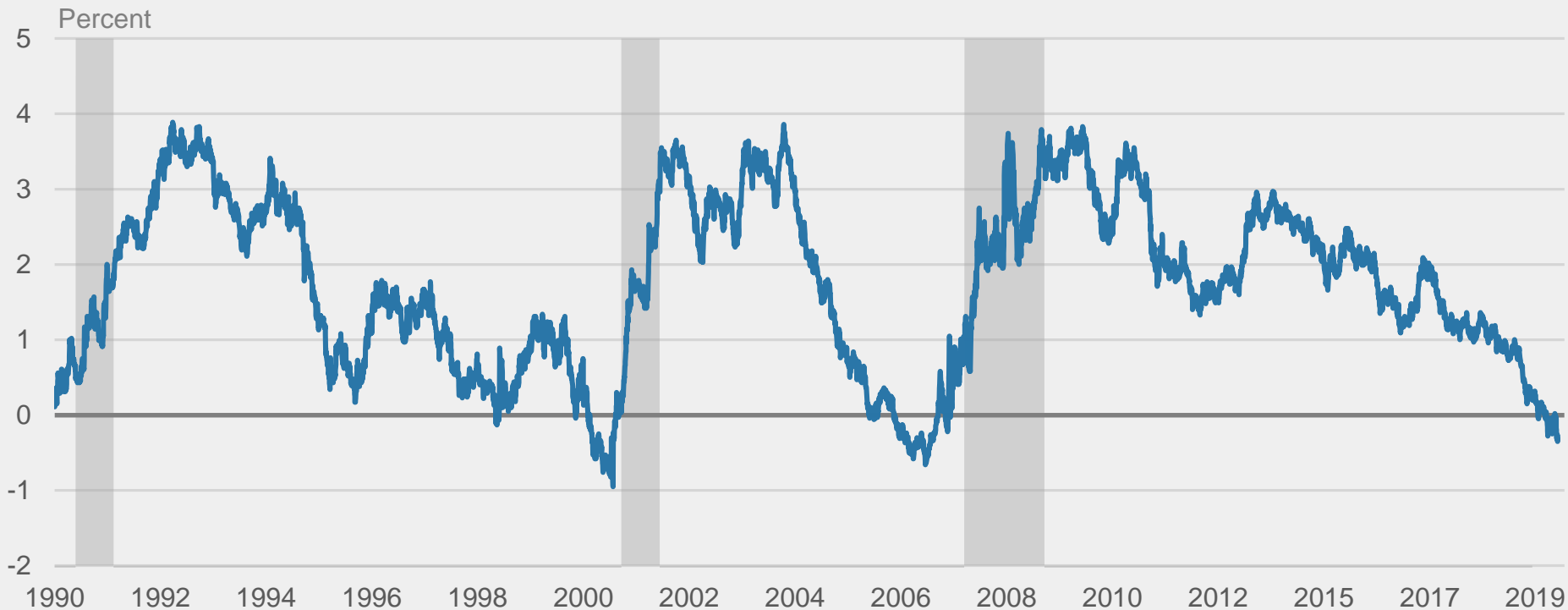
Source: Federal Reserve Board, retrieved from Haver Analytics

Last observation: August 13, 2019

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Inverted yield curve may suggest heightened risk aversion

Yield Spread: 10-Year Treasury Note Less 3-Month Treasury Bill



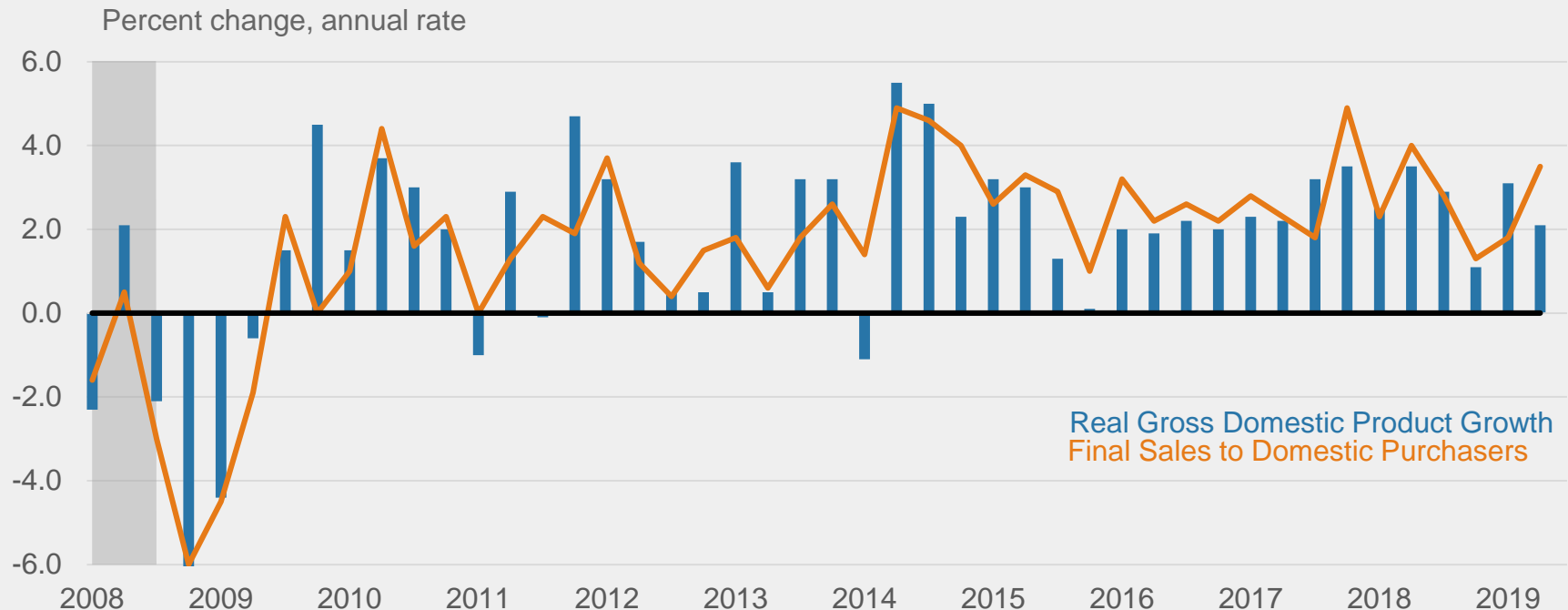
Source: Federal Reserve Board, retrieved from Haver Analytics

Last observation: August 13, 2019

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Output exceeded spending in the U.S. in Q1, payback in Q2

Real Gross Domestic Product Growth



Sources: Bureau of Economic Analysis, retrieved from Haver Analytics

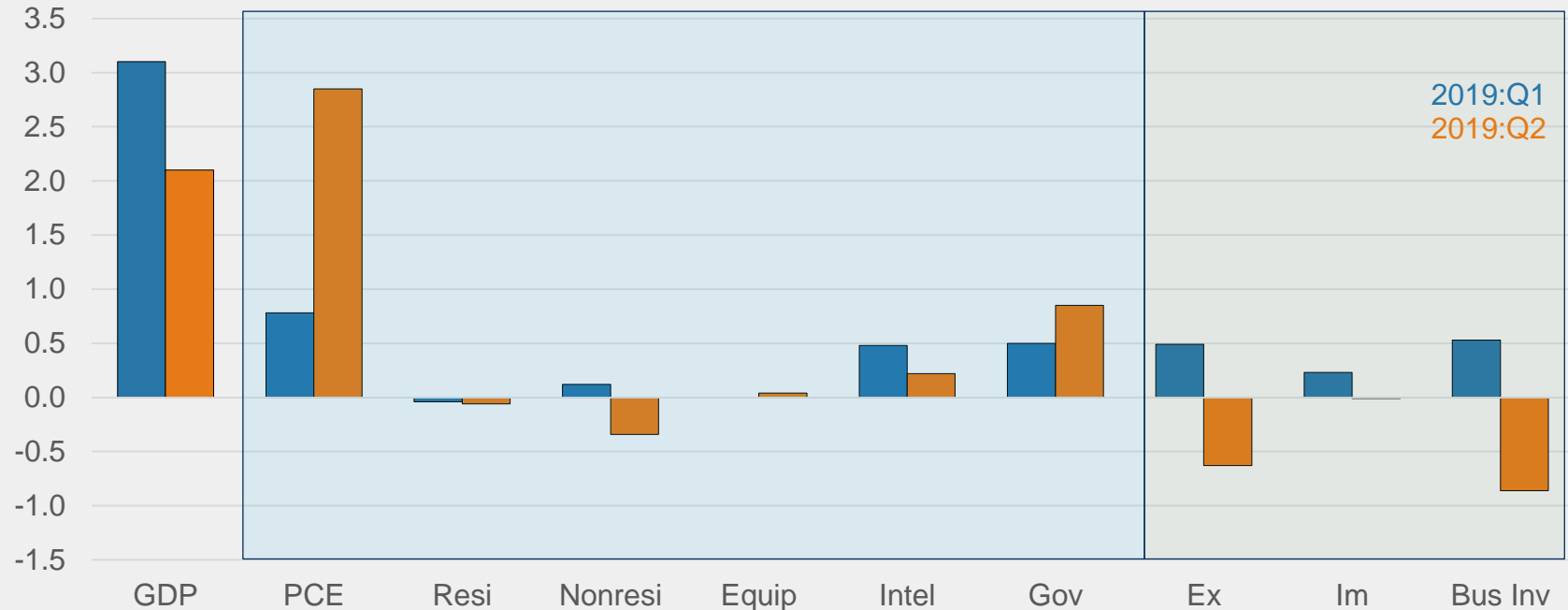
Last observations: 2019:Q2

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Biggest contributions to Q2 GDP growth were PCE and Gov

Contributions to Real Gross Domestic Product Growth

Percent change, annual rate

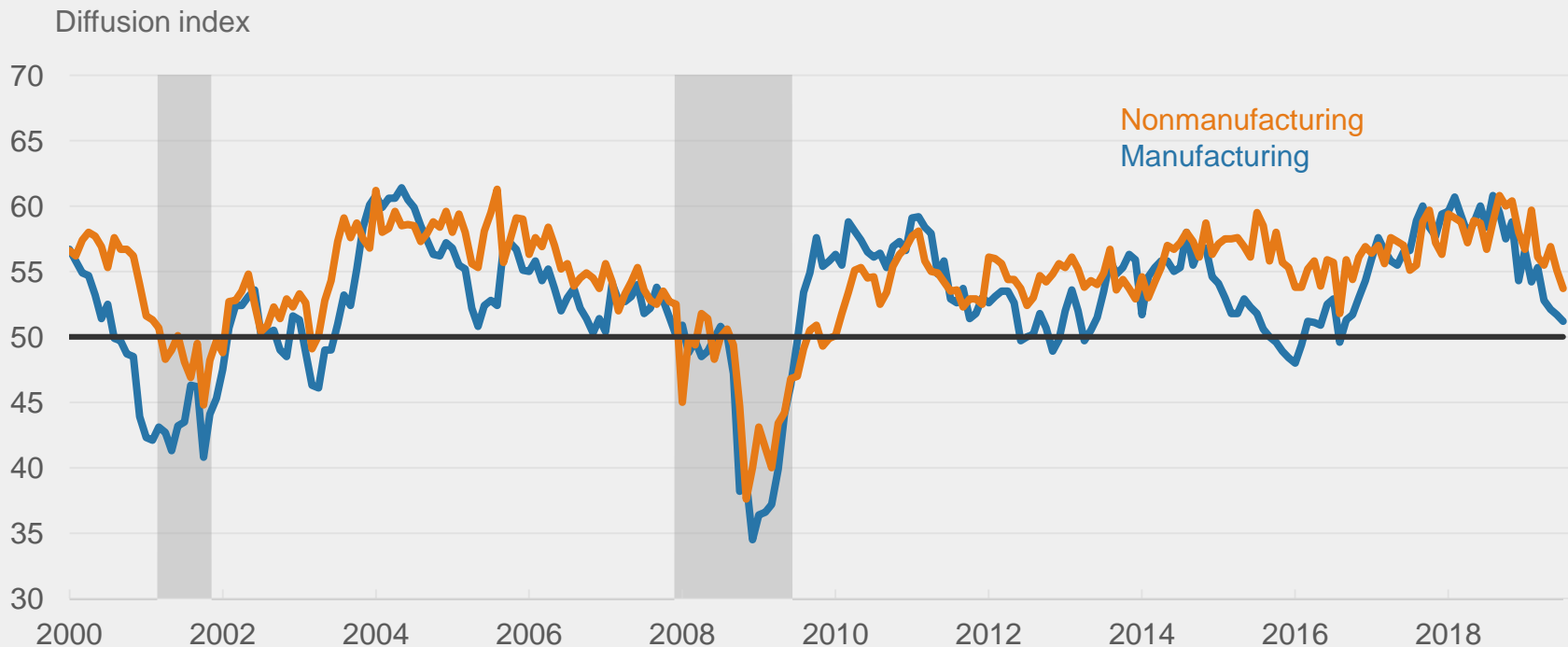


Sources: Bureau of Economic Analysis, retrieved from Haver Analytics

Last observations: 2019:Q2

More recent data point to slower growth

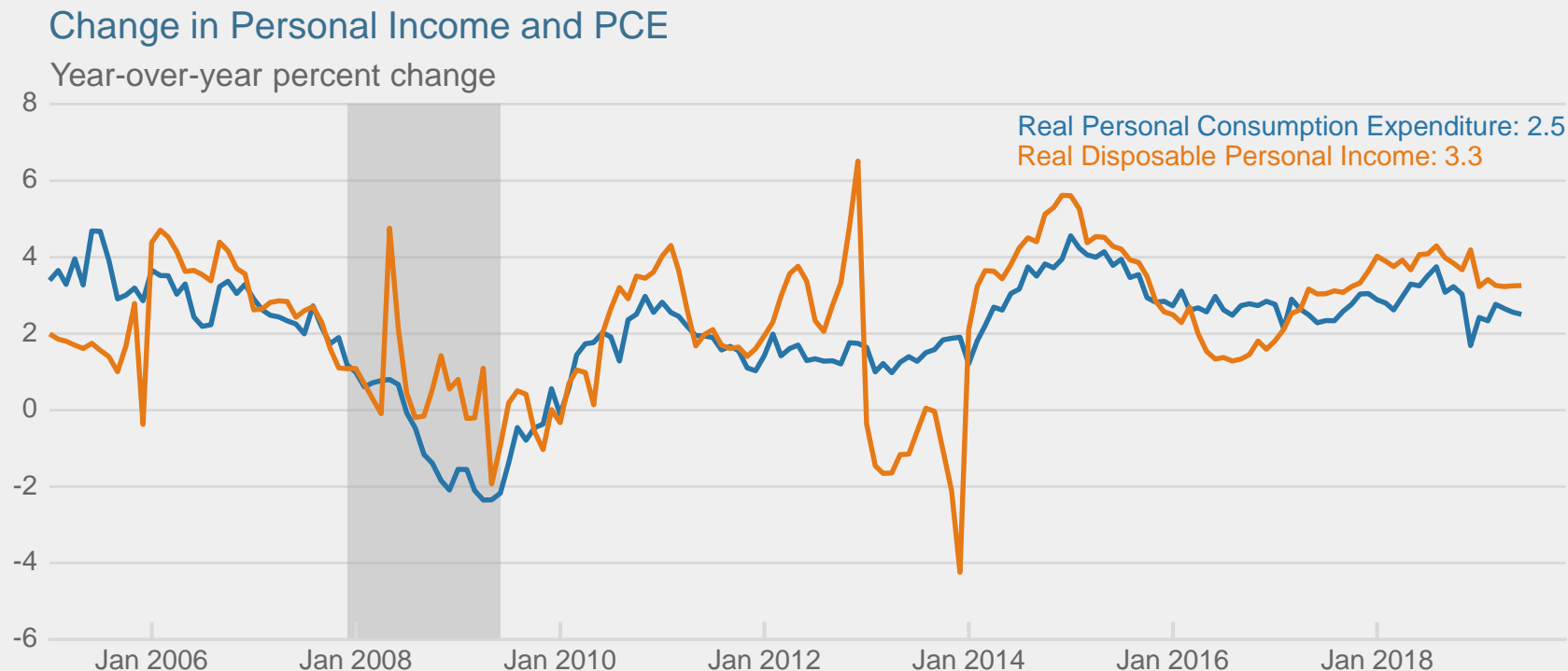
ISM Manufacturing and Nonmanufacturing Indexes



Source: Institute for Supply Management, retrieved from Haver Analytics
Last observation: July 2019 for nonmanufacturing, July 2019 for manufacturing

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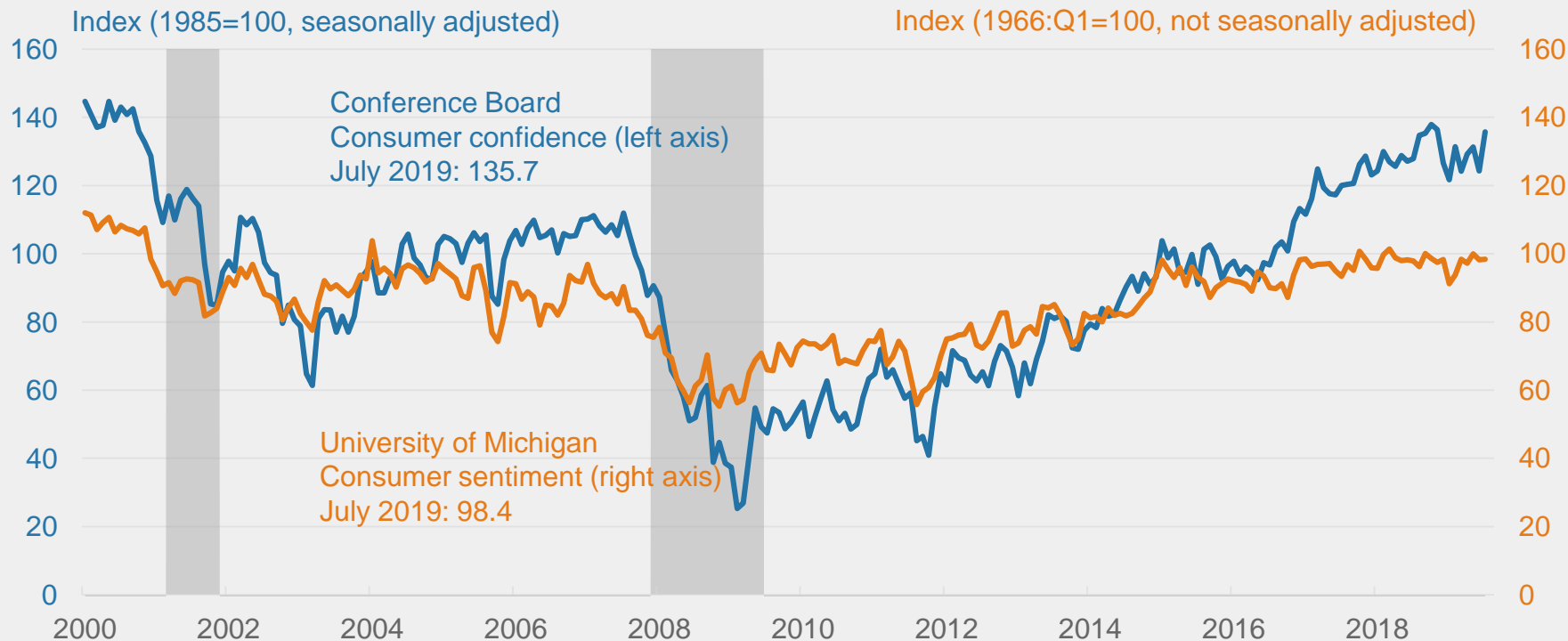
Income growth exceeds PCE growth, good sign for spending...



Source: Bureau of Economic Analysis via Haver Analytics
Last data point: Jun 2019.

...as long as consumers remain upbeat

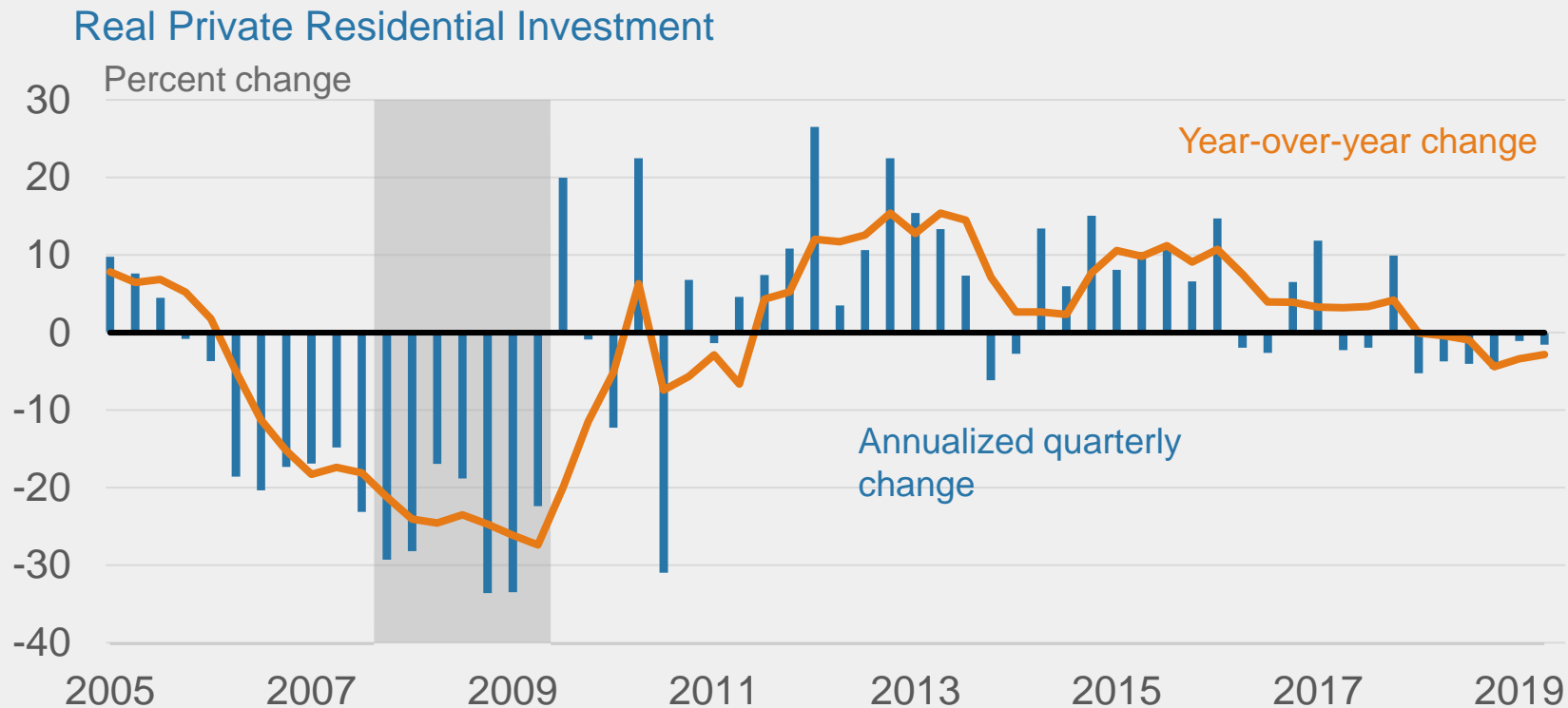
Consumer Confidence



Source: Conference Board, University of Michigan, retrieved from Haver Analytics
Last observation: July 2019 for consumer sentiment; July 2019 for consumer confidence

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Resi construction remains tepid, despite solid fundamentals



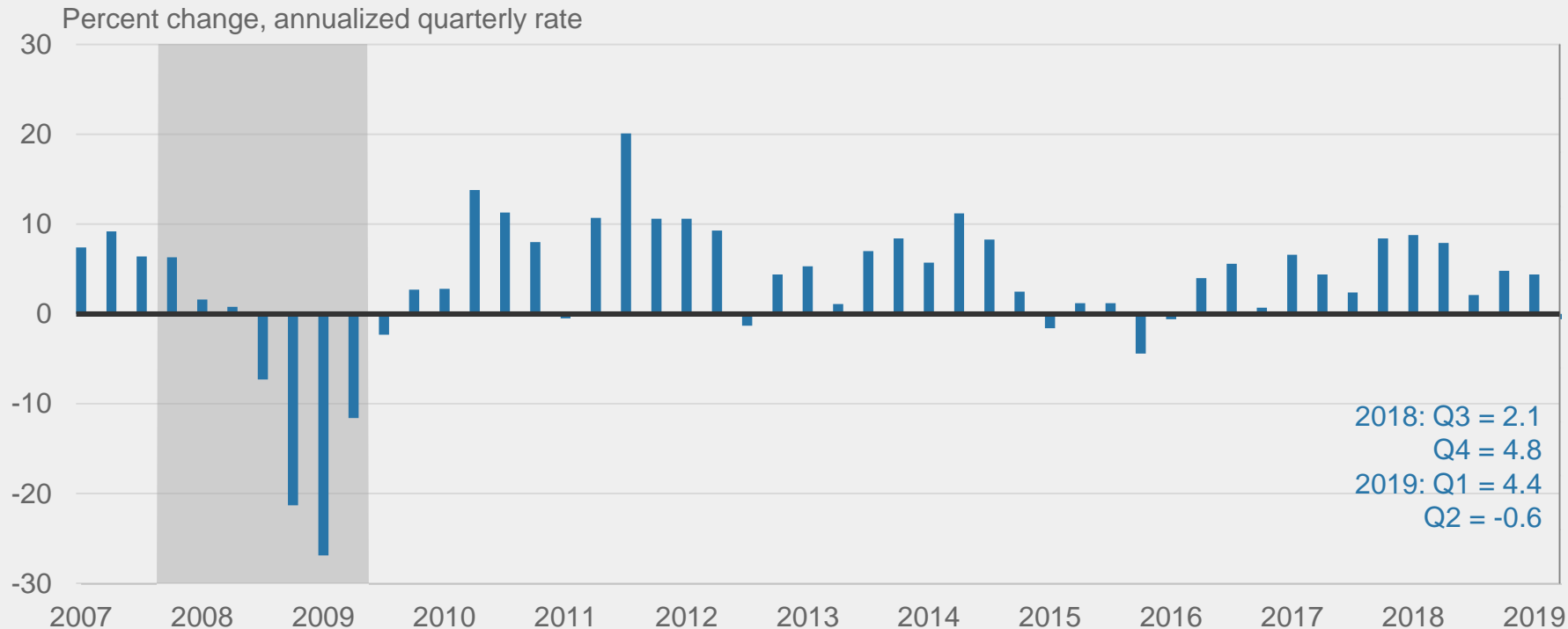
Source: Bureau of Economic Analysis, retrieved from Haver Analytics

Last observation: 2019:Q2

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Growth in investment spending is a wildcard

Real Nonresidential Fixed Investment Growth



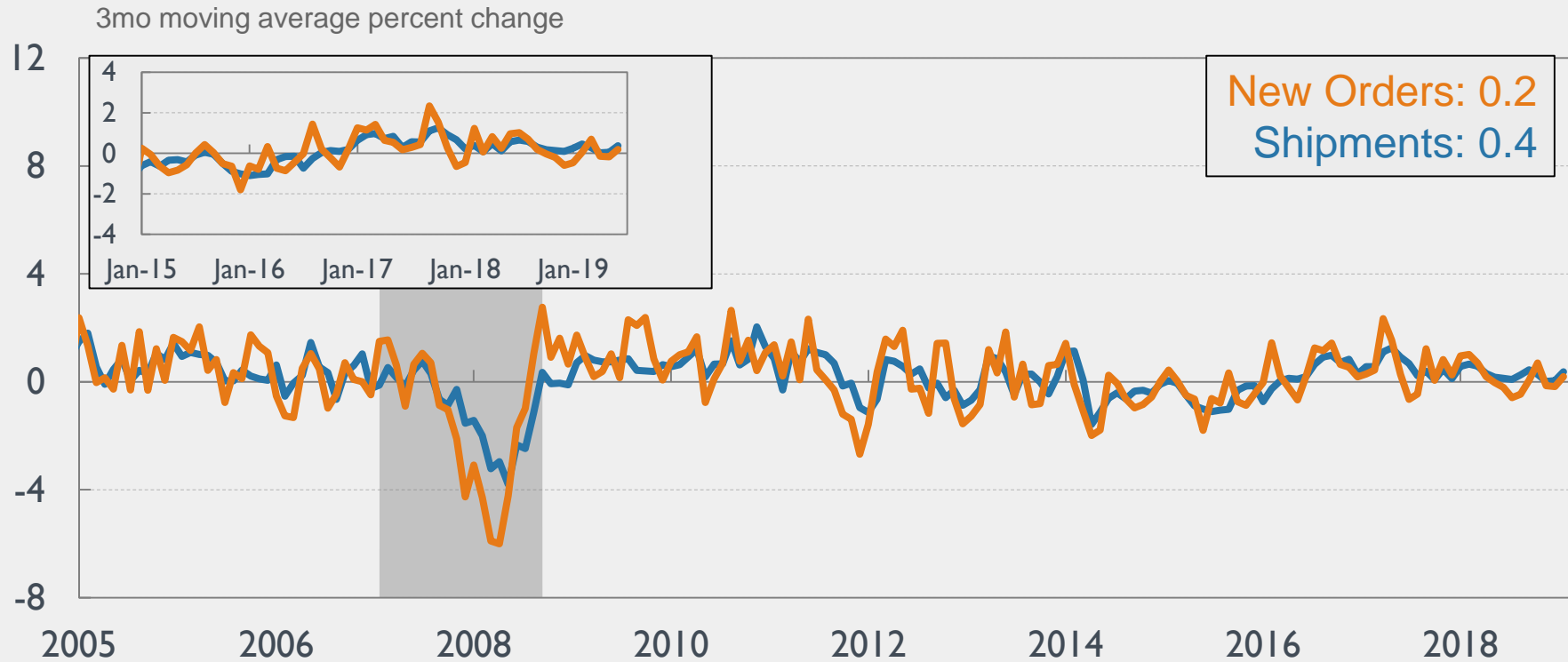
Source: Bureau of Economic Analysis, retrieved from Haver Analytics

Last observation: 2019:Q2

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Capex spending growth has slowed, fundamentals are shaky

Core Capital Goods



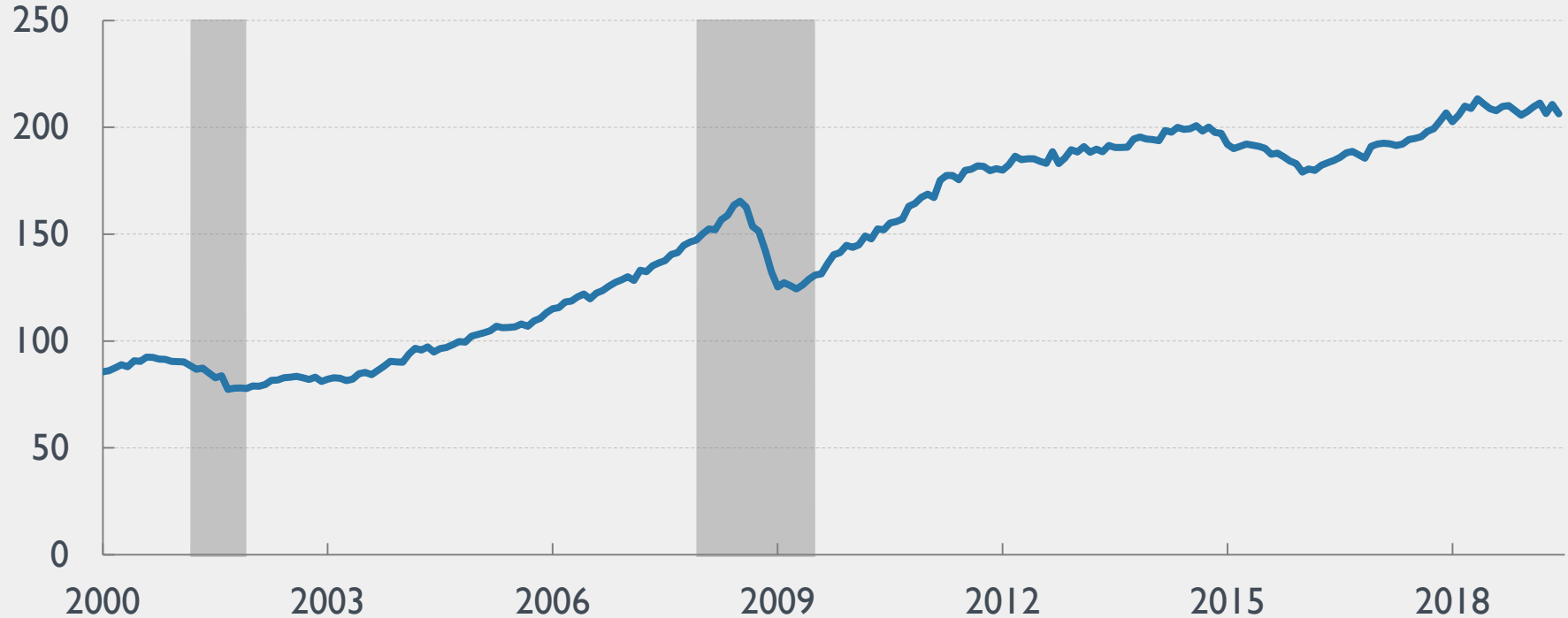
Last observation: 2019:Q2

Source: Census Bureau; Haver Analytics

Exports have been flat since trade tensions arose

Exports

Billions, USD

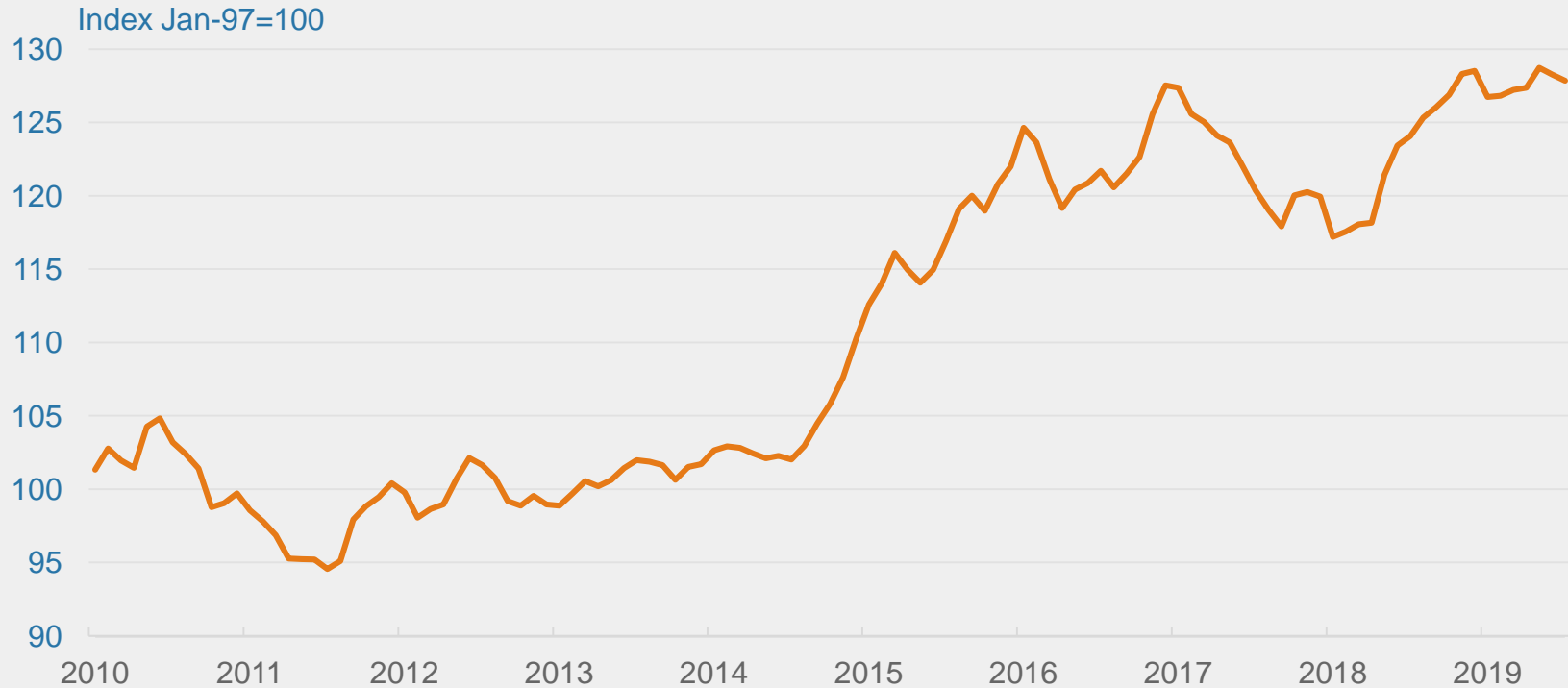


Last observation: June 2019

Source: Census Bureau; Haver Analytics

Exchange rates will keep pressure on trade deficit

Trade-Weighted Nominal Exchange Rate



Source: Federal Reserve Board, retrieved from Haver Analytics

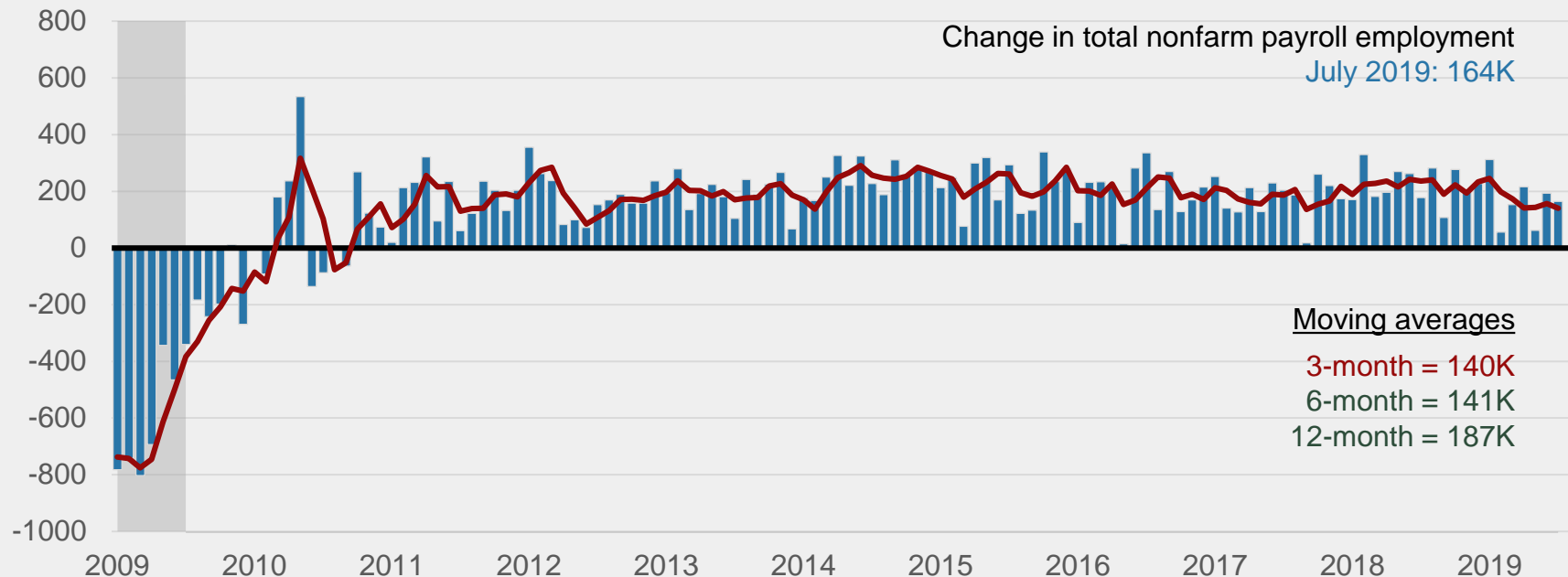
Last observation: July 2019

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Labor demand is still firm

Changes in Total Payroll Employment

Monthly change (thousands)

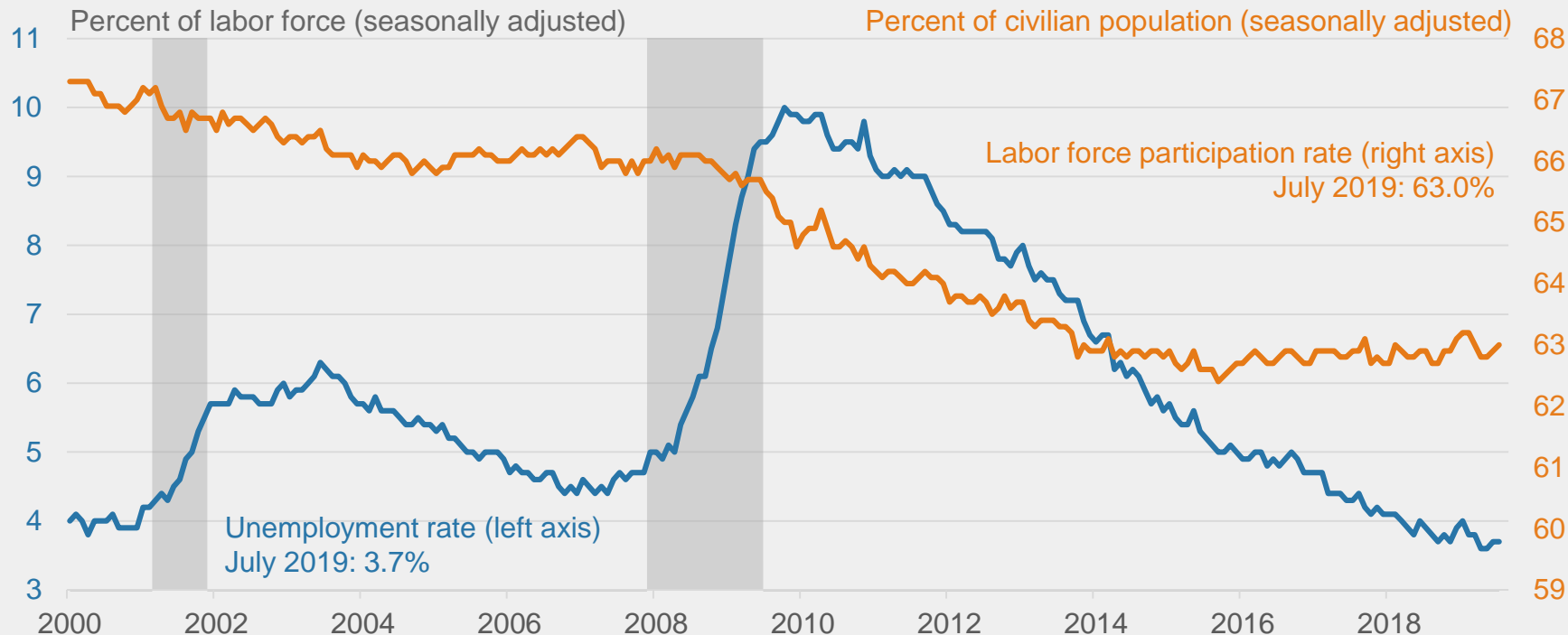


Source: Bureau of Labor Statistics, retrieved from Haver Analytics
Last observation: July 2019

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Supply remains constrained due to sluggish labor force growth

Unemployment and Labor Force Participation Rates



Source: Bureau of Labor Statistics, retrieved from Haver Analytics

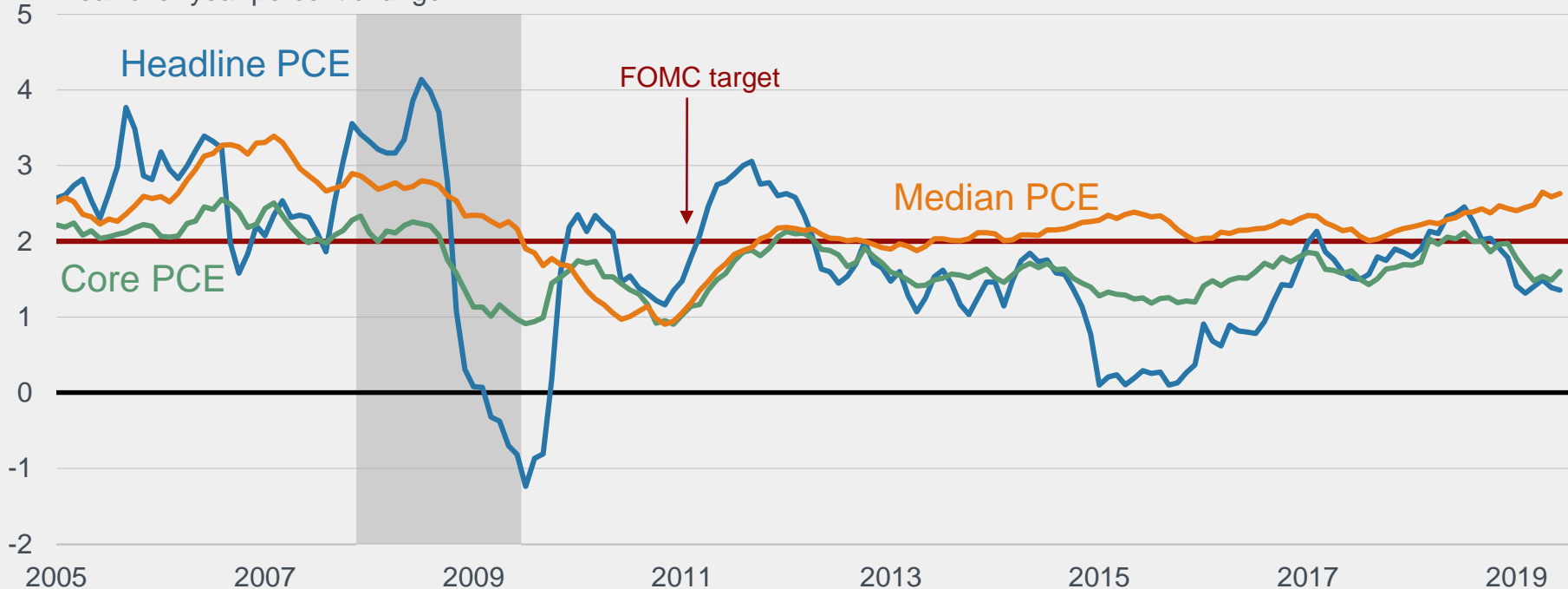
Last observation: July 2019

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Inflation and inflation expectations are benign

PCE Inflation Measures

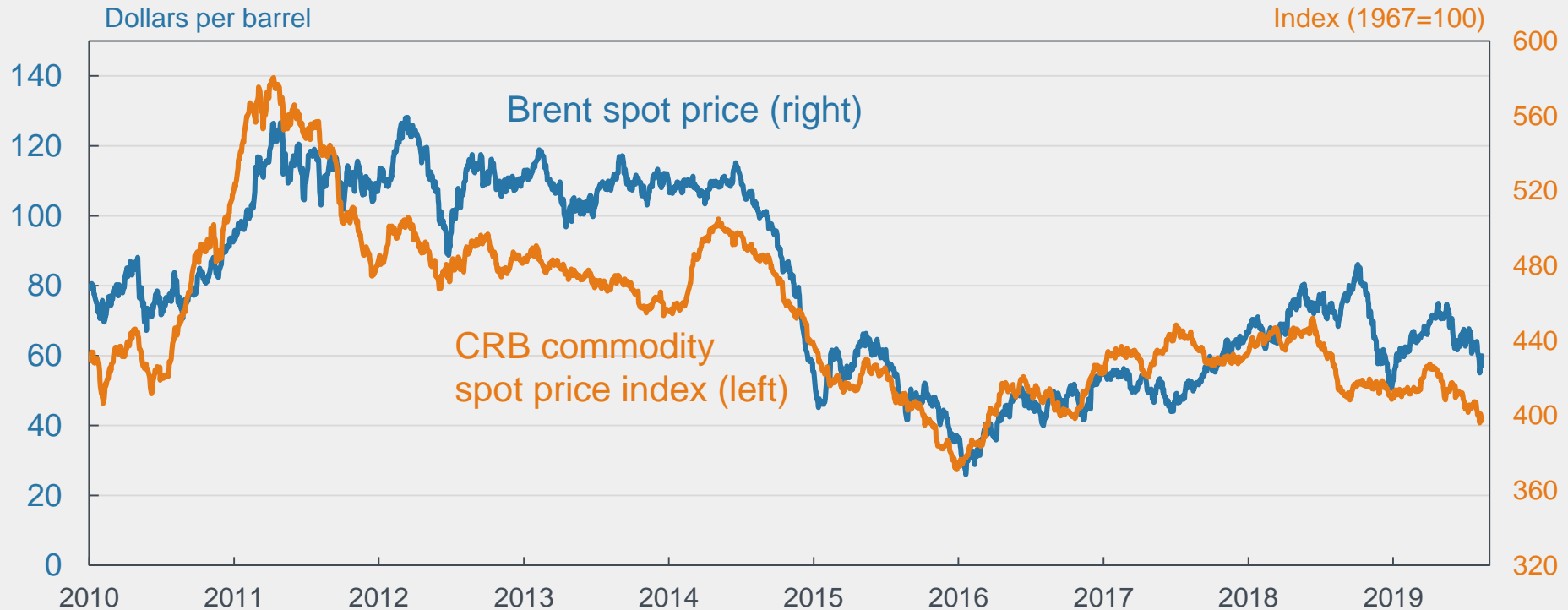
Year-over-year percent change



Sources: Bureau of Labor Statistics, FRB Cleveland, retrieved from Haver Analytics
Last observation: June 2019

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Commodity prices drifting down with rise in global uncertainty



Sources: Energy Information Administration/*Wall Street Journal*, Commodity Research Bureau,
retrieved from Haver Analytics

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